

# **NORTHERN LAKES FIRE PROTECTION DISTRICT**

FINANCIAL AUDIT REPORTS AND STATEMENTS

FOR THE YEAR ENDED  
September 30, 2018

*Prepared by*

Anderson Bros. CPA's, P.A.

Post Falls, ID

# NORTHERN LAKES FIRE PROTECTION DISTRICT

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## INDEPENDENT AUDITORS' REPORT



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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Northern Lakes Fire Protection District, Idaho

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Lakes Fire Protection District, Idaho, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northern Lakes Fire Protection District, Idaho, as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the Schedule of District's Share of Net Pension Liability and the Schedule of District's Contributions on page 32, and the budgetary comparison information on pages 33 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2018, on our consideration of the Northern Lakes Fire Protection District, Idaho's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Lakes Fire Protection District, Idaho's internal control over financial reporting and compliance.



Anderson Bros. CPA's, P.A.

Post Falls, Idaho  
December 20, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# NORTHERN LAKES FIRE PROTECTION DISTRICT

## Management's Discussion and Analysis

September 30, 2018

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The Northern Lakes Fire Protection District's discussion and analysis (MD&A) provides an overall narrative review of the District's financial activities for the fiscal year ended September 30, 2018. This information is designed to focus on the current year's activities, resulting changes and currently known facts. The MD&A should be read in conjunction with the notes to the basic financial statements and the financial statements following this section to enhance understanding of the District's financial performance.

### FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities and deferred inflows of resources by \$3,017,877 at the end of the fiscal year.
- Total revenues for the reporting period were \$6,770,641, an overall increase of \$478,641 from the previous year.
- Actual expenditures this fiscal year were 1.7% less (\$115,365) than the year before, for a total of \$6,309,526 due in large part to the capital outlay in the prior fiscal year for the purchase of firefighting apparatus.
- Including proceeds from the sale of assets, the District's revenues exceeded expenditures by \$469,115 resulting in a fund balance of \$3,017,877 as of September 30, 2018.
- Of the total fund balance, \$76,643 is non-spendable as pre-paid expenses for ensuing fiscal year; with the balance of \$2,941,234 unassigned.

### USING THIS ANNUAL REPORT

This annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements, and required Supplemental Information. The Basic Financial Statements include the *Statement of Net Position* and *Statement of Activities* which provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. The District's operations are conducted solely through a general fund.

The notes to the financial statements provide further explanation of some of the information in the statements and additional disclosures so statement users have a complete picture of the District's financial activities and position. Other supplemental information further explains and supports the financial statements by including a comparison of the District's budget data for the year.

NORTHERN LAKES FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

September 30, 2018

**STATEMENT OF NET POSITION**

The analysis below focuses on the Net Position (Table 1) of the District's governmental activities. The changes in Net Position (Table 2) reflect changes in the governmental activities of the District during the reporting period.

**Table 1**

Statement of Net Position

	Governmental Activities	
	<u>Sep 30, 2018</u>	<u>Sep 30, 2017</u>
Current Assets	\$ 8,390,868	\$ 7,688,426
Capital Assets Net of Depreciation	<u>4,826,020</u>	<u>5,108,962</u>
- Total Assets	\$13,216,888	\$12,797,388
Deferred Outflows of Resources	<u>\$ 496,233</u>	<u>\$ 514,038</u>
Total Combined Assets & Deferred Outflows of Resources	<b><u>\$13,713,121</u></b>	<b><u>\$13,311,426</u></b>
Current and Other Liabilities	\$ 2,451,162	\$ 2,945,703
Deferred Inflows of Resources	<u>\$ 5,488,811</u>	<u>\$ 5,157,892</u>
Total Combined Liabilities & Inflows of Resources	<b><u>\$ 7,939,973</u></b>	<b><u>\$ 8,103,595</u></b>
Net Position:		
Invested in Capital Assets, Net Related Debt	\$ 4,602,138	\$ 4,514,792
Unrestricted	<u>1,171,010</u>	<u>693,039</u>
Total Net Position	<b><u>\$ 5,773,148</u></b>	<b><u>\$ 5,207,831</u></b>
Total Liabilities and Net Position	<b><u>\$13,713,121</u></b>	<b><u>\$13,311,426</u></b>

Net Position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$5,773,148 as of September 30, 2018. The majority of the District's Net Position (80%) reflects its investment in capital assets (e.g. apparatus lease outlay, buildings, real property, equipped apparatus, station equipment, furniture and fixtures). The remaining balance of \$1,171,010 is unrestricted and increased by more than 68% over the reporting period.

NORTHERN LAKES FIRE PROTECTION DISTRICT  
 Management's Discussion and Analysis  
 September 30, 2018

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The District's net position increased by \$565,317 for the fiscal year ended September 30, 2018.

**Table 2**  
 Changes in Net Position

General Revenues	<u>Sep 30, 2018</u>	<u>Sep 30, 2017</u>
Property Taxes	\$ 4,959,894	\$ 4,666,290
Sales Taxes	173,015	151,446
Interest	70,001	49,734
Other	98,413	57,229
Gain (Loss) on Disposal of Capital Assets	(16,606)	(4,513)
Program Revenues		
Specific Grant –Capital	\$ 0	\$ 0
Specific Contributed - Capital	0	0
Charges for Services		
Emergency Medical Services	\$ 1,351,532	\$ 1,259,111
Fees and permits	<u>\$ 103,838</u>	<u>\$ 88,493</u>
<b>Total Revenues</b>	<b><u>\$ 6,740,087</u></b>	<b><u>\$ 6,267,790</u></b>
Program Expenses		
Fire Protection and EMS	\$ 6,174,860	\$ 5,738,348
<b>Total Expenses</b>	<b><u>\$ 6,174,860</u></b>	<b><u>\$ 5,738,348</u></b>

General revenues included: property tax levied annually per Idaho Code §31-1423, sales tax proceeds distributed quarterly per Idaho Code §63-3638, interest earned on cash deposits to a checking account, interest on investments in the State Local Government Investment Pool (LGIP), and late fees and interest collected on delinquent property tax as provided by Idaho Code §63-812. Other general revenues included unanticipated reimbursement of workers compensation benefits paid out to personnel, an insurance payment to replace damaged equipment, reimbursement for wages and payroll taxes for personnel on wildland fire responses by the Idaho Department of Lands (IDL), recovery costs for certain hazmat responses, and donations from the public.

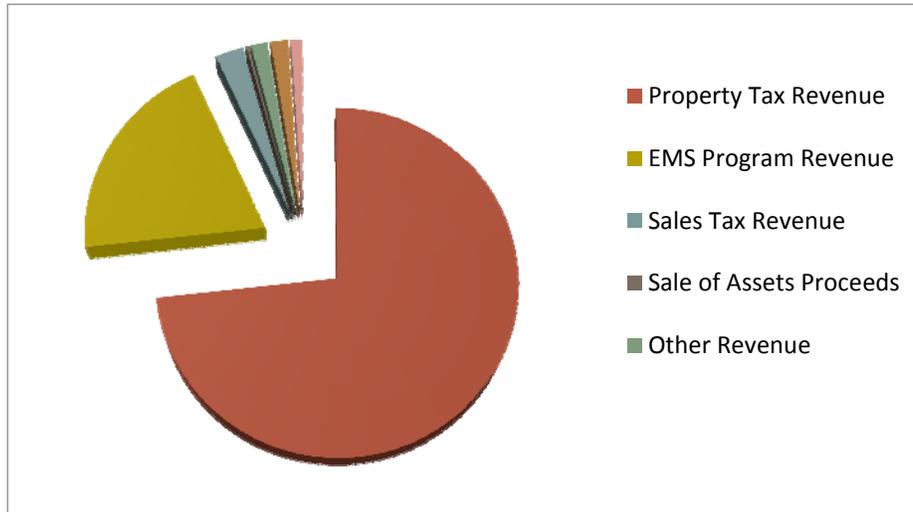
Charges for services included payments from the Kootenai Emergency Medical Services System (KCEMSS) for EMS contracted services provided by District personnel and fees generated by the Fire Prevention Bureau for building project reviews, inspections, and permits.

The District's fire protection and emergency medical services expenses included operating costs for: personnel wages and benefits, including recognized defined benefit pension plan expense; facility maintenance and utilities; vehicle and equipment purchases, repairs and maintenance; office and administration; liability insurance; vehicle fuel; professional fees; training; and land rent for two outlying stations. The program expenses also included a depreciation expense on capital assets of \$313,170.

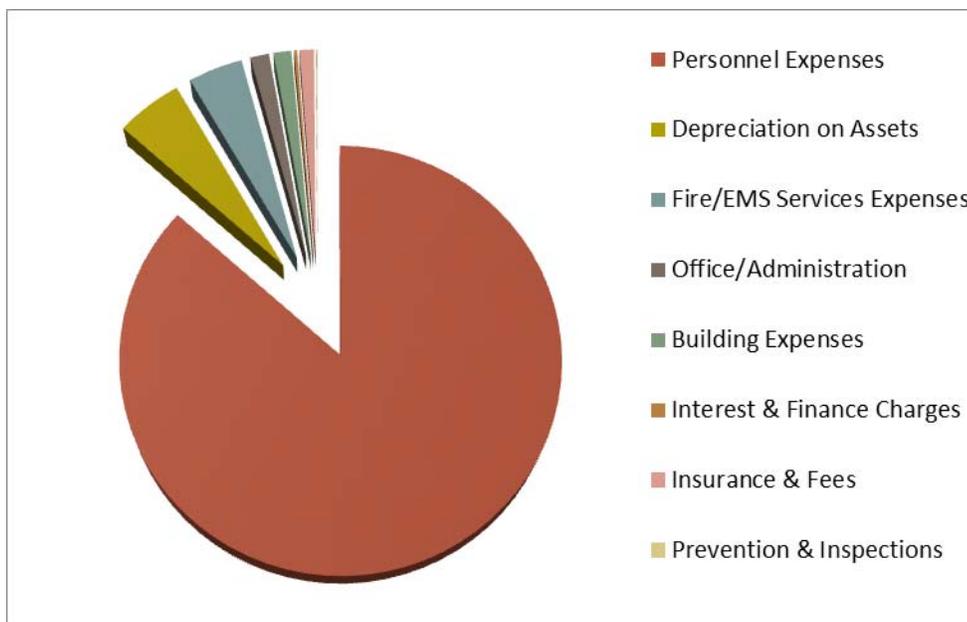
**STATEMENT OF ACTIVITIES**

The following charts break out revenue sources and budget item expenses as percentages of total revenue and expense for the year ending September 30, 2018.

**Revenue by Source**



**Expenses by Budget Item**



NORTHERN LAKES FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

September 30, 2018

The following Table 3 shows revenues, expenditures and changes in fund balance for fiscal year 2018 and 2017 for comparative purposes.

**Table 3**

Revenues, Expenditures and Changes in Fund Balance

	<u>Sep 30, 2018</u>	<u>Sep 30, 2017</u>
General Revenues		
Property Taxes	\$4,973,842	\$4,685,988
Emergency Medical Services	1,351,532	1,259,111
Sales Taxes	173,015	151,446
Fees and Permits	103,838	88,493
Interest	70,001	49,734
Other	98,413	57,228
Grant Revenues	<u>0</u>	<u>0</u>
<b>Total Revenues</b>	<b><u>\$6,770,641</u></b>	<b><u>\$6,292,000</u></b>
 Expenditures		
Personnel	\$3,759,501	\$3,510,868
Payroll Taxes & Benefits	1,609,190	1,546,637
Fire Battalion Division	79,129	71,811
Vehicle Maintenance & Repair	84,982	68,583
Station Expenses	82,380	70,709
Insurance	59,626	57,919
Office Expense	59,918	57,587
Vehicle Fuel	35,249	34,270
Administration Expenses	27,074	24,572
Inspection/Prevention Division	7,347	7,053
Training Division	20,175	35,928
Professional Fees	8,225	13,872
EMS Operation Division	11,848	27,362
Communication Equip	23,628	537
Rent (Land)	810	810
Other	1,260	2,781
Debt Service Payment-Principal	370,288	69,973
Debt Service Payment-Interest	14,062	7,283
Capital Outlay	<u>54,834</u>	<u>816,336</u>
<b>Total Expenditures</b>	<b><u>\$6,309,526</u></b>	<b><u>\$6,424,891</u></b>
 Excess (Deficit) of Revenues over Expenditures	\$ 461,115	\$ (132,891)
Proceeds from Sale of Assets	8,000	0
Proceeds from Lease Escrow Disbursement	<u>0</u>	<u>300,000</u>
 Net Change in Fund Balance	<b><u>\$ 469,115</u></b>	<b><u>\$ 167,109</u></b>
 Fund Balance – End of Year	<b><u>\$3,017,877</u></b>	<b><u>\$2,548,762</u></b>

## NORTHERN LAKES FIRE PROTECTION DISTRICT

### Management's Discussion and Analysis

September 30, 2018

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Overall, total revenues for the reporting period were \$478,641 more than total revenues for the previous fiscal year. As a governmental entity, property taxes accounted for 73.5% of all fiscal year 2018 revenues, which was up a ½% from fiscal year 2017. Miscellaneous (Other) revenue increased by \$41,185 over the prior year due to an unanticipated reimbursement of personnel expenses for wildland fire response from the Idaho Department of Lands (IDL), an insurance claim paid on damaged equipment, and a dividend payment for the District's 2015-2016 workers compensation insurance plan.

Fire Prevention review and permit fees collected were 17% more than last fiscal year; for an increase in revenue of \$15,345. The District anticipates modest increases in the numbers of both new residential and commercial projects in the next fiscal year as well.

Sales tax proceeds were 14% more this fiscal year as compared to last for an increase of \$21,569 in revenue. Due to a combination of increased reserve funds and higher interest rates, the earned interest on cash deposits/investments increased by 41% for an additional \$20,267 as compared to last fiscal year.

The Kootenai County Emergency Management Services System (KCEMSS) increased the District's fiscal year 2018 contracted services by 7% over the prior year, for an additional \$92,421 in revenue. These payments help offset the costs of providing advanced life support emergency response out of the District's staffed stations in both Hayden and Rathdrum.

Total expenditures during the fiscal year were \$115,365 less than the year before, or a decrease of 1.8%. This was due in large part to the one-time purchase of apparatus in fiscal year 2017.

In June 2018, the District paid off the lease purchase of its two 2015 Rosenbauer Tender/Pumpers early, saving the District \$5,500 in interest over the remainder of the 7-year term agreement.

In summary, the District's revenues exceeded its expenditures by \$461,115 increasing its fund balance at the end of the year by 18%.

### **THE DISTRICT'S FUNDS**

As the District completed the fiscal year, its governmental funds (as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds) reported a fund balance of \$3,017,877.

The increase in fund balance is due in part to higher than anticipated revenues for prior year property taxes received and sales tax proceeds, as well as savings realized in expenditure budgets in an effort to finance future station and equipment replacement needs. The District also saw reimbursements of more than \$35,000 for personnel expenses from the Idaho Department of Lands for wildland fire response in Montana and Oregon; a \$15,000 dividend payment from its workers compensation insurance (State Insurance Fund) for the 2015-2016 policy period; and, \$8,000 in proceeds from the sale of a 1997 Freightliner pumper apparatus to South Boundary Fire District in Naples, ID.

The fund balance includes carryover as allowed per Idaho Code §31-1428 for equipping and maintaining the District. These savings realized in prior expenditure budgets are an effort to finance future growth and expansion of facilities, equipment and personnel needs.

## NORTHERN LAKES FIRE PROTECTION DISTRICT

### Management's Discussion and Analysis

September 30, 2018

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#### **GENERAL FUND BUDGET VARIANCES**

At the end of the fiscal year, the District made formal budget amendments to reallocate unspent funds from its Contingency budget to fund other budget line items, including:

- Increasing the Communication budget to purchase emergency radios that are compatible with non-structure fire agencies such as the Idaho Dept. of Lands and the U.S. Forest Service.
- Increasing the Vehicle Repair/Maintenance budget for the unanticipated costs to repair the District's 2007 Seagrave engine's front-end suspension.

The budget is used during the fiscal year as a tool to monitor actual income and expenditures. The *Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual* shows actual revenues exceeded actual expenditures by \$461,115. The *Schedule* includes the proceeds from sale of assets totaling \$8,000, resulting in an increase in fund balance of \$469,115.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

The Statement of Net Position includes any capital assets acquired over the District's threshold of \$2,500. At the end of Fiscal Year 2018, the District had invested \$8,935,660 (before depreciation) in a broad range of capital assets including land, buildings, furniture and fixtures, apparatus and equipment (*see Note 6 – Capital Assets*). This amount represents a net decrease in total capital assets (including additions and deductions) of \$192,508 from the prior year. With total accumulated depreciation on these assets amounting to \$4,109,640, the net value of the District's capital assets decreased by 5.5% from the previous fiscal year, or a total of -\$282,942.

This year's changes included the following:

- Purchase of firefighting equipment including a portable battery-operated extrication tool set, 3 portable 4-in-1 emergency radios for incident command, replacement of a thermal imaging camera, and a positive-pressure ventilation (PPV) fan.
- The surplus and sale of a 1997 Freightliner pumper apparatus to South Boundary Fire District in November 2017.
- The surplus and donation of a 1977 Ford water tender to South Boundary Fire District in November 2017.
- Real property improvements at Fire Station 2 of parking lot repairs, including super seal and re-striping.
- Building improvements at the District's training tower including installation of doors and windows, and repairs to the stairwell.

NORTHERN LAKES FIRE PROTECTION DISTRICT  
 Management's Discussion and Analysis  
 September 30, 2018

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**Table 4**

Capital Assets at Year-end  
 (Net of Depreciation)

Capital Assets	Governmental Activities	
	<u>Sep 30, 2018</u>	<u>Sep 30, 2017</u>
Land	\$ 863,027	\$ 863,027
Buildings/Improvements	3,480,341	3,472,730
Apparatus	3,364,854	3,561,318
Firefighting Equipment	1,171,286	1,165,512
Office Equipment	56,152	65,581
Total Capital Assets	<u><b>\$8,935,660</b></u>	<u><b>\$9,128,168</b></u>
Accumulated Depreciation	(4,109,640)	(4,019,206)
Capital Assets (Net of Depreciation)	<u><b>\$4,862,020</b></u>	<u><b>\$5,108,962</b></u>

**Long Term Liabilities**

**Debt**

In September 2017, the District entered into a 4-year lease purchase for a pumper apparatus that was delivered in September 2017. After a down payment of 252,295, the District financed the remaining \$300,000. The first annual lease payment of \$78,931.45 was paid in February 2018 with the final of four annual payments due in 2021.

In June 2018, the District pre-paid the balance on a 7-year lease purchase of its two (2) 2015 Rosenbauer Tender/Pumpers. The principal and interest pre-payment totaled \$228,263.

**Voluntary Deferred Compensation Plan**

District employees eligible for the Public Employee Retirement System of Idaho (PERSI) defined benefit plan are able to voluntarily participate in the PERSI Choice 401(k) deferred compensation plan. Employees are able to defer up to \$18,500 of salary per calendar year as of 2018 (and an additional \$6,000 for employees over the age of 50 in 2018) with the District matching employee deferrals of up to 6% of their wages. The District portion contributed for this fiscal year totaled \$207,046.

**Compensated Absences**

Long term liability obligations on the government financial statements include accrued vacation pay for which employees are paid upon separation from the District. At year end, compensated absences liabilities were \$326,116, an increase of 10% over the prior year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The fiscal year 2019 budget was approved and adopted in August 2018. When developing a budget, the District's primary consideration is to continue to meet the demand for fire and EMS services in the most cost-effective manner possible. In 2017, the District determined that a third staffed station was needed to meet its growing call volume for emergency response. The board of fire commissioners submitted a ballot issue to eligible voters in May 2018 to authorize a permanent tax levy override in order to fund the increased staffing levels. This tax levy override election fell short of the 2/3<sup>rd</sup> majority approval requirement (at 59.8% approval). The District has plans to submit the ballot issue to eligible voters again in May 2019.

## NORTHERN LAKES FIRE PROTECTION DISTRICT

### Management's Discussion and Analysis

September 30, 2018

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#### **Revenues**

The District levied the maximum allowable amount of property tax increase (3%) for fiscal year 2019 and is anticipating modest increases in those revenues. The District also anticipates increases in sales tax revenue and interest earned on cash deposits/investments.

At the time the budget was adopted, the District anticipated moderate increases in the fees generated by new commercial and residential developments within its boundaries.

In July 2018, the Kootenai County EMS System approved a budget increasing the EMS contract payments to the District by 3% or an additional amount of \$38,290, for a total of \$1,389,205 for fiscal year 2019.

#### **Expenditures**

District operating expenses are anticipated to be 4.5% more for fiscal year 2019 than the previous period. The District previously identified the need for additional funding to increase suppression staffing levels to meet growing emergency response call volume demands. A special election failed in May 2018 without a super majority of voters approving a permanent tax levy override. The District has plans to submit a ballot issue to voters again in May 2019 to fund the minimal staffing of a third station in 2020. The District has realized savings in prior expenditure budgets to fund station remodel/replacement as well as purchase of apparatus and equipment.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report, or need additional information, you may contact Fire Chief Pat Riley or Executive Assistant Valerie Knapp, at Northern Lakes Fire Protection District, 125 W. Hayden Ave., Hayden, Idaho 83835.

## BASIC FINANCIAL STATEMENTS

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Statement of Net Position**  
**September 30, 2018**

	Government Activities	Total
<b>ASSETS</b>		
Current Assets:		
Cash & Investments	\$ 3,025,792	3,025,792
Receivables:		
Accounts Receivable (net)	6	6
Property Taxes (net)	5,237,175	5,237,175
Sales Taxes	51,252	51,252
Prepaid Expenses	76,643	76,643
Total Current Assets	8,390,868	8,390,868
Capital Assets:		
Land and Land Improvements	863,027	863,027
Capital Assets, net	3,962,993	3,962,993
Total Capital Assets	4,826,020	4,826,020
Total Assets	\$ 13,216,888	13,216,888
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Plan differences - PERSI	\$ 496,233	496,233
Total Deferred Outflows of Resources	\$ 496,233	496,233
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 733	733
Checks in Excess of Deposits	-	-
Payroll, Benefits & Taxes Payable	154,561	154,561
Accrued Interest	5,818	5,818
Portion due or payable within one year:		
Capital Lease Payable	72,595	72,595
Total Current Liabilities	233,707	233,707
Long-Term Liabilities:		
Compensated Absences Payable	326,116	326,116
Capital Lease Payable (net of current portion)	151,287	151,287
Net Pension Liability	1,740,052	1,740,052
Total Long-Term Liabilities	2,217,455	2,217,455
Total Liabilities	\$ 2,451,162	2,451,162
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - 2018 assessed property taxes	\$ 5,153,286	5,153,286
Pension Plan differences - PERSI	335,525	335,525
Total Deferred Inflows of Resources	\$ 5,488,811	5,488,811
<b>NET POSITION</b>		
Net investment in capital assets	\$ 4,602,138	4,602,138
Unrestricted	1,171,010	1,171,010
Total Net Position	\$ 5,773,148	5,773,148

*See accompanying notes to financial statements and independent auditors' report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Statement of Activities**  
**Year Ended September 30, 2018**

**Expenses:**

**Public Safety - fire protection and emergency medical services:**

Personnel	\$ 3,788,902
Payroll Taxes and Benefits	1,556,044
Station Expenses	82,380
Vehicle Maintenance and Repair	84,982
Fire Battalion Division	79,129
Office Expense	59,918
Administration Expenses	27,074
Insurance	59,626
Vehicle Fuel	35,249
Other	1,260
Professional Fees	8,225
Training Division	20,175
Inspection/Prevention Division	7,347
EMS Operation Division	11,848
Communications	23,628
Rent	810
Depreciation - unallocated	313,170
Interest and Finance Charges - unallocated	15,093
	6,174,860
Total Program Expenses	6,174,860

**Program Revenues:**

Program Specific Grant Revenue - Capital	-
Program Specific Contributed Revenue - Capital	-
Charges for Services:	
Emergency Medical Services	1,351,532
Fees and Permits	103,838
	1,455,370
Total Program Revenues	1,455,370
Net Program Expenses	4,719,490

**General Revenues:**

Property Taxes	4,959,984
Sales Taxes	173,015
Interest Income	70,001
Other	98,413
Gain/ (Loss) on Sale of Assets	(16,606)
	5,284,807
Total General Revenues	5,284,807
Change in Net Position	565,317
Net Position - October 1,	5,207,831
Net Position - September 30,	\$ 5,773,148

*See accompanying notes to financial statements and independent auditors' report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**

**Balance Sheet  
Governmental Funds  
September 30, 2018**

	General Fund	Total
<b>ASSETS</b>		
Cash & Investments	\$ 3,025,792	3,025,792
Receivables:		
Accounts Receivable (net)	6	6
Property Taxes (net)	83,889	83,889
Sales Taxes	51,252	51,252
Prepaid Expenses	76,643	76,643
Total Assets	\$ 3,237,582	3,237,582
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 733	733
Checks in Excess of Deposits	-	
Payroll, Benefits & Taxes Payable	154,561	154,561
Total Liabilities	\$ 155,294	155,294
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - property taxes	\$ 64,411	64,411
<b>FUND BALANCE</b>		
Nonspendable:		
Prepaid Expenses	\$ 76,643	76,643
Unassigned:	2,941,234	2,941,234
Total Fund Equity	3,017,877	3,017,877
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 3,237,582	3,237,582
<b>RECONCILIATION TO THE STATEMENT OF NET POSITION:</b>		
Total fund equity reported above		3,017,877
Add Capital Assets not reported above	8,935,659	
Less Accumulated Depreciation	(4,109,639)	
Net Capital Assets		4,826,020
Deferred outflows of resources - pension plan		496,233
Less liabilities not reported above:		
Interest Payable	(5,818)	
Compensated Absences Payable	(326,116)	
Capital Lease Payable	(223,882)	
Net Pension Liability	(1,740,052)	
Total liabilities not reported above		(2,295,868)
Deferred inflows of resources - pension plan		(335,525)
Unavailable revenues for property taxes receivable		64,411
Net Position		\$ 5,773,148

*See accompanying notes to financial statements and independent auditors' report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - All Governmental Fund Types**  
**Year Ended September 30, 2018**

	General Fund	Total
<b>Revenues:</b>		
Property Taxes	\$ 4,973,842	4,973,842
Emergency Medical Services	1,351,532	1,351,532
Grant Revenue	-	-
Sales Taxes	173,015	173,015
Fees and Permits	103,838	103,838
Other	98,413	98,413
Interest Income	70,001	70,001
Total Revenues	6,770,641	6,770,641
<b>Expenditures:</b>		
Personnel	3,759,501	3,759,501
Payroll Taxes and Benefits	1,609,190	1,609,190
Station Expenses	82,380	82,380
Vehicle Maintenance and Repair	84,982	84,982
Fire Battalion Division	79,129	79,129
Office Expense	59,918	59,918
Administration Expenses	27,074	27,074
Insurance	59,626	59,626
Vehicle Fuel	35,249	35,249
Other	1,260	1,260
Professional Fees	8,225	8,225
Training Division	20,175	20,175
Inspection/Prevention Division	7,347	7,347
EMS Operation Division	11,848	11,848
Communications	23,628	23,628
Rent	810	810
Capital Outlays	54,834	54,834
Debt Service Payments - Principal	370,288	370,288
Debt Service Payments - Interest	14,062	14,062
Total Expenditures	6,309,526	6,309,526
Excess (Deficiency) of Revenues Over Expenditures	461,115	461,115
<b>Other Sources (Uses):</b>		
Proceeds from Sale of Assets	8,000	8,000
Proceeds from Financing Sources	-	-
Total Other Sources (Uses)	8,000	8,000
Net Change in Fund Balance	469,115	469,115
Fund Balance - October 1,	2,548,762	2,548,762
Fund Balance - September 30,	\$ 3,017,877	3,017,877

*See accompanying notes to financial statements and independent auditors' report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Reconciliation of the**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended September 30, 2018**

**Net change in fund balances - total governmental funds** \$ 469,115

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. (258,338)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (13,857)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets. (24,606)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. -

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The activities consist of:

Decrease in capital lease payable	370,288	
Increase in interest payable	(1,031)	
Increase in compensated absences	(29,400)	
Increase in pension plan expense	(383,905)	
Decrease in PERSI contributions	437,051	393,003

**Change in net position of governmental activities** \$ 565,317

*See accompanying notes to financial statements and independent auditors' report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northern Lakes Fire Protection District (the “District”) was formed on October 1, 2000, through an Agreement to Consolidate entered into by Hayden Lake Fire Protection District and Rathdrum Rural Fire Protection District. The District provides for the public’s safety through fire protection and emergency medical services. The District operates under a locally elected Board of Commissioners who has the authority to make decisions, the power to designate management, the responsibility to significantly influence operations, and the primary accountability for fiscal matters.

The accompanying financial statements present the activities of the Northern Lakes Fire Protection District. The District’s combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District’s reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board’s (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- ✓ The Organization is legally separate (can sue and be sued in their own name)
- ✓ The District holds the corporate powers of the organization
- ✓ The District appoints a voting majority of the organization’s board
- ✓ The District is able to impose its will on the Organization
- ✓ The Organization has the potential to impose a financial benefit/burden on the District
- ✓ There is a fiscal dependency by the Organization on the District

Based on the aforementioned criteria, the District has no component units.

The District is a governmental subdivision of Idaho and body politic and corporate. The District has oversight responsibility and control over all activities related to the District’s functions. The District is not included in any other governmental “reporting entity” as defined in GASB pronouncements, since the public elects the District Commissioners. All accounts and operations of the District are included in these financial statements.

The financial statements of Northern Lakes Fire Protection District have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the District accounting policies are described below.

Basis of Presentation

*Government-wide Financial Statements* – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Eliminations have been made to minimize the double-counting of internal activities. These statements present the *governmental activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The government-wide statement of activities presents a comparison between direct and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

*See independent auditors’ report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

Basis of Presentation-(Continued)

*Fund Financial Statements* – The fund financial statements report detailed information about the District’s funds. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The District has one governmental fund, the general fund.

*General Fund* – This is the District’s operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes and other intergovernmental revenues, emergency medical service revenues, grant revenues, and management contract revenues. Primary expenditures are for payroll and personnel expenses, maintenance and repairs, administrative expenses, and fire battalion expenses.

Measurement Focus and Basis of Accounting

*Government-wide Financial Statements* – The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Property taxes are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Major Funds

Generally accepted accounting principles require that the general fund be reported as a major fund. In addition, major funds include all other government funds whose total assets, liabilities, revenues, or expenditures are at least 10% or more of the total for all government funds. Accordingly, the District maintains only one governmental major fund type, the general fund.

Assets, Liabilities, and Equity

Cash, Cash Equivalents, and Investments

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with a fiscal agent. Additionally, the District’s investments in the Idaho State Investment Pool are considered cash equivalents because cash can be deposited and withdrawn at any time without prior notice or penalty. The Pool’s investments are reported at fair value at September 30, 2018.

*See independent auditors’ report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

Accounts Receivable

The District records real and personal property taxes as they are assessed, and not as they are collected. Cancellations and uncollectible taxes for this and prior years were minimal, thus no allowance for uncollectible taxes is necessary.

Receivables for Federal and State grants, federal revenue sharing entitlements, and state, county, and local shared revenue are recorded as revenue in all fund types as measurable and available.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements and interest incurred during the construction of capital assets are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	5-33
Fire & EMS Trucks, Vehicles, and Boats	2-25
Fire Fighting Equipment	2-27
Office Equipment	5-20

GASB No. 34 requires the District to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. The District does not, as a matter of course, build or maintain such assets outside of expenditures included in the costs of their buildings and improvements. Therefore, no separate category of capital assets has been created for infrastructure and there are no plans to retroactively report infrastructure assets.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of capital leases, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Leases, which meet certain criteria established by the Financial Accounting Standards Board, are classified as capital leases, and the assets and related liabilities are recorded at amounts equal to the lesser of the present value of minimum lease payments or the fair value of the leased property at the beginning of the respective lease term. Leases which do not meet the criteria of a capital lease are classified as operating leases.

*See independent auditors' report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government does have items that qualify for reporting in this category, associated with the pension base plan, and reported in the statement of net position only. Note 8 outlines the outflows of resources associated with the pension base plan.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The government has two types of items, which arises under the government-wide accrual basis of accounting that qualifies for reporting in this category and one item, which arises under the modified accrual basis of accounting. Accordingly, one item, unavailable revenue from property taxes is reported on both the statement of net position and governmental fund balance sheet. The other item is associated with the pension base plan and reported in the statement of net position only. See Note 8 for details on the pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees who qualify.

Employees are granted vacation and sick leave benefits in varying amounts to specified maximums based on tenure and hours worked per week. Generally, after six months of service, employees are entitled to their accrued vacation leave upon separation of service. The District's compensated absence liability at September 30, 2018 was \$326116.

The District does not pay accrued sick leave to employees upon termination, but does pay up to 30% of accrued sick leave to employees retiring from the District. No reasonable estimate can be made of the amount of unused sick leave the District may have to pay in the future, so no liability is recognized.

Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a committed (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing commission is the highest level of decision-making authority of the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The commission may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by Board of Commissioner's resolution. This includes the budget reserve account.

Assigned—Amounts that are designated by the Chief for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Commissioners.

Unassigned—All amounts not included in other spendable classifications.

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

Property Taxes

Property taxes are levied each November and attach as an enforceable lien on property. The levy is based on the assessed value listed as of the prior September for all property located within the District and is assessed by the County Assessor. They are payable in two installments due by December 20 and June 20 of the following year. The taxes are collected for and remitted to the District by Kootenai County.

Property taxes levied for 2017 are recorded as receivables. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent that they are collected within 60 days of year-end, in accordance with the modified accrual basis of accounting. Receivables collectible after the 60-day date are reflected in the fund financial statements as deferred revenues. In the government-wide financial statements property taxes are recorded as revenue in the period levied, in accordance with the accrual basis of accounting.

Property tax becomes a lien on the property when it is levied. State statute sets maximum property tax rates for the general fund of the Northern Lakes Fire District.

Unemployment Benefits

The District has chosen to pay unemployment benefits as they arise rather than make periodic payments to the Idaho Department of Labor. Recent job restructuring and employee turnover could result in a liability in the coming years as unemployment insurance claims are made. No estimate of this liability, if any, could be made at the date of this report.

Expenditures for unemployment benefits totaled \$1,615 for the fiscal year ending September 30, 2018.

Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracts with VFIS (Volunteer Firemen's Insurance Services) for property and general liability insurance. The District obtains workman's compensation insurance through the Idaho State Insurance Fund. The workman's compensation insurance premium is calculated based on accident history and administrative costs.

Extraordinary and Special Items

Extraordinary items are transactions that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Commissioners and that are either unusual in nature or infrequent in occurrence. There were no extraordinary items recorded during fiscal year September 30, 2018.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Significant estimates included in these financial statements consist of the useful lives of depreciable assets and the future liability for compensated absences.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 2 - CASH AND INVESTMENTS**

**Summary of Deposit and Investment Balances**

**General**

State statutes authorize the District's investments. The Northern Lakes Fire District is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred.

**Custodial Credit Risk**

Custodial credit risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk as it deposits funds in financial institutions that are members of the U.S. Federal Deposit Insurance Corporation (FDIC) and has never experienced such a loss. As of September 30, 2018, the District's deposits were exposed to custodial credit risk as follows:

<i>Deposits without exposure to custodial credit risk:</i>	
Amount insured by FDIC or other agencies	\$ 3,128,638
Amount collateralized with securities held in trust, but not in District's name	-
Total deposits without exposure to custodial credit risk	<u>\$ 3,128,638</u>
<i>Deposits with exposure to custodial credit risk:</i>	
Amounts uninsured-exposed to custodial credit risk	\$ -
Total bank balance (deposits)	<u>\$ 3,128,638</u>
Cash and cash equivalents at September 30, 2018 consist of the following:	
Cash	
Deposits with financial institutions	\$ 65,522
Cash on hand	100
Cash equivalents	
Money market funds and savings	-
Idaho state investment pool	2,960,170
	<u>\$ 3,025,792</u>

**State Investment Pool**

Investments in 2a7-like pools are valued based upon the value of pool shares. The District invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. The pool does not include any involuntary participants.

Investments for the District are reported at fair value. Accordingly, the balances that the District has in the State Investment Pool are carried at fair value pursuant to GASB 31, and calculated on a monthly basis. The District's portion of the State Investment Pool had an unrealized gain of \$8,584 as of September 30, 2018, which has not been reflected in the financial statements. The unrealized gain was based on a fair market value adjustment factor of 1.0029 that was calculated by the State of Idaho's Treasurer's Office.

*See independent auditors' report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 2 – CASH AND INVESTMENTS- (CONTINUED)**

GASB Statement No. 40 requires the District to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The District’s exposure to credit risk is not available.

**NOTE 3 – RECEIVABLES**

The following is a schedule of property taxes assessed for the year, collected and remaining to be received.

Year	Balance 9/30/17	Levy 2017	Adjustments & Collections	Balance 9/30/18
2004-2017	\$ 97,221	4,865,296	(4,878,628)	83,889

In accordance with NCGA Interpretation #3, revenue, which is not received within 60 days of the year-end, has been reflected as deferred inflows of resources – unavailable revenue for property taxes. The balance as of September 30, 2018 is as follows:

Taxes Due at September 30, 2018	\$ 83,889
Received October 2018	(12,698)
Received November 2018	(6,780)
Total	\$ 64,411

In the government-wide financial statements, the District has recorded the 2018 property tax assessment amounts as follows:

Property taxes-current	\$ 5,153,286
Property taxes-delinquent	83,889
Total property taxes (net)	\$ 5,237,175
Deferred Inflows of Resources:	
Unavailable Revenue - 2018 assessed property taxes	\$ 5,153,286

Accounts receivable include amounts due from various customers generally for service fees. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts was \$0 for the year ended September 30, 2018.

**NOTE 4 – OPERATING AGREEMENT WITH KOOTENAI COUNTY EMERGENCY MEDICAL SERVICES SYSTEM**

The District has entered into a cooperative agreement with Kootenai County Emergency Medical Services System (KCEMSS) authorized by Kootenai County. This agreement is to provide first responder services and mutual aid when the District has the available resources to do so. These employees shall remain the employees of the District at all times, and the District is responsible for payment of wages, benefits and payroll taxes. KCEMSS paid the District \$1,351,532 for the fiscal year 2017/18.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

The Professional Fire Fighters of Idaho, Northern Lakes Local 4045 (a union), has the authority to collectively bargain for the firefighters of the District. The contract covers 83% of the District’s employees. No strike by this organization is expected within the next year.

The District paid annual fees of \$810 during the year ended September 30, 2018 for the use of land on which two fire stations have been built. The District is obligated to pay this same amount in future years.

The District’s training facility is on property owned by Kootenai County. A lease agreement with Kootenai County for the location is pending.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 863,027	-	-	863,027
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	863,027	-	-	863,027
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	3,472,730	7,611	-	3,480,341
Fire & EMS Trucks, Vehicles, and Boat	3,561,318	-	196,464	3,364,854
Fire Fighting Equipment	1,165,512	47,223	41,449	1,171,286
Office Equipment	65,581	-	9,429	56,152
Total capital assets being depreciated	8,265,141	54,834	247,342	8,072,633
Less accumulated depreciation for:				
Buildings and Improvements	1,389,334	89,906	-	1,479,240
Fire & EMS Trucks, Vehicles, and Boat	1,557,634	176,133	196,464	1,537,303
Fire Fighting Equipment	1,013,496	45,546	16,842	1,042,200
Office Equipment	58,742	1,585	9,429	50,897
Total accumulated depreciation	4,019,206	313,170	222,735	4,109,640
Total capital assets being depreciated, net	4,245,935	(258,336)	24,607	3,962,993
Governmental activity capital assets, net	\$ 5,108,962	(258,336)	24,607	4,826,020

Depreciation expense of \$313,170 for the year ended September 30, 2018 was charged entirely to fire protection and emergency medical services.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 7 – CAPITAL LEASE**

In January 2014, the District entered into a lease agreement to purchase two Rosenbauer tender/pumpers. Annual lease payments of \$77,256 are required, including interest at 2% for seven years beginning January 15, 2015. In this fiscal year, this was paid off early.

In September 2017, the District entered into a lease agreement to purchase a Rosenbauer Motors Pumper Apparatus. Annual lease payments of \$78,931 are required, including interest at 2.79% for four years beginning February 1, 2018.

Capital Lease Activity

Changes in long-term obligations for the year ended September 30, 2018 are as follows:

	10/1/2017	Increases	Decreases	9/30/2018
<b>Governmental Activities:</b>				
Capital Leases Payable	594,170		370,288	223,882
Total	\$ 594,170	-	370,288	223,882

Debt Service Requirements

The following schedule presents future minimum lease payments as of September 30, 2018:

Year Ended September 30,	Governmental Activities		
	Capital Leases Payable		
	Principal	Interest	Total
2019	\$ 72,595	8,655	81,250
2020	74,649	7,283	81,932
2021	76,638	5,883	82,521
Total	\$ 223,882	21,821	245,703

The leased equipment under capital leases in capital assets at September 30, 2018, includes the following:

2014 Tender/Pumper (V-36)	\$ 283,315
2014 Tender/Pumper (V-37)	283,315
2016 Pumper (V-39)	552,295
Less: Accumulated Depreciation	(162,737)
Total	<u>\$ 956,188</u>

**NOTE 8 – PENSION PLAN**

Plan Description

Northern Lakes Fire Protection District contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

NOTE 8 – PENSION PLAN (CONTINUED)

Plan Description-(continued)

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2018 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The District's contributions were \$402,337 for the year ended September 30, 2018.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2018, the District's proportion was 0.1179682 percent.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

NOTE 8 – PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-(continued)

For the year ended September 30, 2018, the District recognized pension expense of \$383,905. At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	131,416
Changes in assumptions or other inputs	113,225	-
Net difference between projected and actual earnings on pension plan investments	191,008	193,330
Change in the District's proportion and differences between the District's contributions and the District's proportionate contributions	195,565	18,213
Amortized change in prior year's proportionate share	(96,512)	(7,434)
District's contributions subsequent to the measurement date	92,947	-
Total	<u>\$ 496,233</u>	<u>\$ 335,525</u>

\$92,947 reported as deferred outflows of resources related to pensions resulting from Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017 the beginning of the measurement period ended June 30, 2018 is 4.9 and 5.5 for the measurement period June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended September 30:

2019	\$174,897
2020	50,119
2021	(121,217)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

NOTE 8 – PENSION PLAN (CONTINUED)

Actuarial Assumptions -(continued)

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases**	3.75%
Salary inflation	3.75%
Investment rate of return*	7.05%
Cost-of-living adjustments	1.00%

\*net of pension plan investment expense

\*\*there is an additional component of assumed salary grown (on top of the 3.75%) that varies for each individual member based on years of service

Mortality rates were based on the RP - 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2018 is based on the results of an actuarial valuation date of July 1, 2018.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of PERSI's asset. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2018.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

NOTE 8 – PENSION PLAN (CONTINUED)

Capital Market Assumption

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	1.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			14.16%
<u>Valuation Assumptions Chosen by PERSI Board</u>			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			<u>7.05%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2018**

NOTE 8 – PENSION PLAN (CONTINUED)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.05 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability (asset)	\$ 4,355,743	\$ 1,740,052	\$ (425,848)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

NOTE 9 – DEFERRED COMPENSATION PLAN

The PERSI system also offers its participants a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees eligible for PERSI, permits them to defer a portion of their salary up to \$18,500 per year. During fiscal year 2012/13, the District’s employees began participating in this plan. The District match is 6% of employee compensation, which amounted to total of \$207,046 for the fiscal year ending September 30, 2018.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY**  
**PERSI - Base Plan**  
**Last 10 - Fiscal Years \***

	9/30/2018	9/30/2017	9/30/2016	9/30/2015
District's portion of the net pension liability	0.1179682%	0.1179474%	0.1190456%	0.1144500%
District's proportionate share of the net pension liability	\$ 1,740,052	\$ 1,853,931	\$ 2,413,237	\$ 1,507,120
District's covered-employee payroll	\$ 3,775,450	\$ 3,644,050	\$ 3,446,882	\$ 3,194,425
District's proportional share of the net pension liability as a percentage of its covered-employee payroll	46.09%	50.88%	70.01%	47.18%
Plan fiduciary net position as a percentage of the total pension liability	91.69%	90.68%	87.26%	91.38%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Kootenai County Fire & Rescue will present information for those to use for which information is available.

Data reported is measured as of June 30, 2018 (measurement date)

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**  
**PERSI - Base Plan**  
**Last 10 - Fiscal Years \***

	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Statutorily required contribution	\$ 458,119	\$ 397,733	\$ 353,878	\$ 374,368
Contributions in relation to the statutorily required contribution	\$ (435,467)	\$ (420,326)	\$ (399,529)	\$ (367,660)
Contribution (deficiency) excess	\$ 22,653	\$ (22,593)	\$ (45,651)	\$ 6,708
District's covered-employee payroll	\$ 3,775,450	\$ 3,644,050	\$ 3,446,882	\$ 3,194,425
Contributions as a percentage of covered-employee payroll	11.53%	11.53%	11.59%	11.51%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Kootenai County Fire & Rescue will present information for those to use for which information is available.

Data reported is measured as of June 30, 2018 (measurement date)

*See independent auditors' report.*

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - All Governmental Fund Types**  
**Year Ended September 30, 2018**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Property Taxes	4,895,300	4,895,300	4,973,842	78,542
Emergency Medical Services	1,350,915	1,350,915	1,351,532	617
Grant Revenue	-	-	-	-
Sales Tax	140,000	140,000	173,015	33,015
Fees and Permits	75,000	75,000	103,838	28,838
Other	139,910	139,910	98,413	(41,497)
Interest Income	40,000	40,000	70,001	30,001
Total Revenues	6,641,125	6,641,125	6,770,641	129,516
<b>Expenditures:</b>				
Personnel	3,804,010	3,804,010	3,759,501	44,509
Payroll Taxes and Benefits	1,667,585	1,667,585	1,609,190	58,395
Station Expenses	114,050	114,050	82,380	31,670
Vehicle Maintenance and Repair	75,000	84,985	84,982	3
Fire Battalion Division	166,100	166,100	79,129	86,971
Office Expense	80,300	80,300	59,918	20,382
Administration Expenses	55,000	55,000	27,074	27,926
Insurance	60,817	60,817	59,626	1,191
Vehicle Fuel	45,000	45,000	35,249	9,751
Other	-	-	1,260	(1,260)
Professional Fees	18,000	18,000	8,225	9,775
Training Division	50,000	50,000	20,175	29,825
Inspection/Prevention Division	7,200	7,350	7,347	3
EMS Operation Division	37,200	37,200	11,848	25,352
Communications	30,000	42,900	23,628	19,272
Rent	158,066	158,066	810	157,256
Capital Outlays	222,797	222,850	54,834	168,016
Contingency	50,000	26,912	-	26,912
Debt Service Payments - Principal	-	-	370,288	(370,288)
Debt Service Payments - Interest	-	-	14,062	(14,062)
Total Expenditures	6,641,125	6,641,125	6,309,526	331,599
Excess (Deficiency) of Revenues Over Expenditures	-	-	461,115	461,115
<b>Other Financing Sources:</b>				
Proceeds from Sale of Assets	-	-	8,000	8,000
Proceeds from Financing Sources	-	-	-	-
Total Other Financing Sources	-	-	8,000	8,000
Net Change in Fund Balance	-	-	469,115	469,115
Fund Balance - October 1,	2,381,653	2,381,653	2,548,762	
Fund Balance - September 30,	\$ 2,381,653	2,381,653	3,017,877	

See accompanying notes to the budget and independent auditors' report.

**NORTHERN LAKES FIRE PROTECTION DISTRICT**  
**Notes to the Budget and Actual Schedule**  
**September 30, 2018**

The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30.

Because of the District's dependency on state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

The District follows the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In August, the Fire Chief submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to October 1, the Board of Commissioners formally approves the budget document following a public hearing.
- c. The approved annual budget is used as a control device for the governmental funds.
- d. The budget for the governmental funds is adopted on a basis consistent with generally accepted accounting principles (GAAP) applicable to state and local governments.
- e. Appropriations for the governmental funds lapse at the end of the fiscal year.
- f. Expenditures cannot legally exceed appropriations at the fund level. Expenditures are monitored on a monthly basis by the accountant and Fire Chief. When expenditures are required for functions that have not been budgeted, authorization to incur the expenditures is requested from the Board of Commissioners by resolution during its regular monthly meetings. There was one budget amendment in the current fiscal year, which reclassified budgeted expenditures amounts among the District's various departments.

**REPORT REQUIRED BY GAO**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Northern Lakes Fire Protection District  
Hayden, ID

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northern Lakes Fire Protection District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Northern Lakes Fire Protection District's basic financial statements, and have issued our report thereon dated December 20, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northern Lakes Fire Protection District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northern Lakes Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of Northern Lakes Fire Protection District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet import enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northern Lakes Fire Protection District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anderson Bros. CPA's, P.A.

Post Falls, Idaho  
December 20, 2018